SUBMISSION
OF THE
PROVINCE
OF
PRINCE EDWARD ISLAND
TO THE
COMMISSION OF INQUIRY
ON UNEMPLOYMENT INSURANCE

January 12, 1986

INTRODUCTION:

The Province of Prince Edward Island welcomes the opportunity to address the Commission of Inquiry on Unemployment Insurance, and applauds the initiative to take a fresh look at a complex, multi-faceted income support program. It is particularly relevant in a time when our economy is changing rapidly, when traditional work patterns are changing, and when even the whole meaning of "work" is being questioned, that one of the key income support mechanisms should also be reviewed, and, if necessary, changed to better reflect the needs, attitudes and hopes of Canadians as we approach the 21st Century.

We would like to approach the topic of unemployment insurance today by first of all giving you an overview of the P.E.I. economy which will show how the Province's economy is structurally different from that of Canada as a whole. Next we will discuss the key role that unemployment insurance plays in our economy as well as the problems unemployment insurance has created for Islanders. Finally, we shall attempt to provide a few constructive thoughts about how we would like to see income support systems restructured to become:

(a) more creative;

(b) free of disincentives to work; and

(c) focused on encouraging individuals to engage in productive activities.

Before beginning our discussion of the P.E.I. economy, however, we would like to give you a clear and direct message.

The introduction of the Unemployment Insurance program in 1941 was a very progressive step, both socially and economically. The original system was a good one, and over the years, has served Canadians reasonably well.

We recognize, however, that in today's world of 1986, problems exist within the Unemployment Insurance system, necessitating an exploration of new and better ways to provide a more appropriate income protection system. Until constructive changes can be developed, however, we can not tolerate any piecemeal tampering with the system in the short term. Our reluctance is based on a strong belief that those who need and draw Unemployment Insurance on P.E.I. are not to blame for the problems surrounding unemployment and unemployment insurance - they are the ones caught by a system which governments have created, and they are the ones who would suffer if the current system were modified in a haphazard fashion at this time.

I THE PRINCE EDWARD ISLAND ECONOMY

To understand how unemployment insurance effects P.E.I. it is first necessary to understand the structure of the Island economy and labour market.

A review of our Gross Domestic Product will reveal that Agriculture is four times as important on P.E.I. as in the rest of Canada, that Fishing is also four times as important, that Community, Personal and Business Services and Public Administration is three times as important, but that manufacturing is only 1/3 as important a component of Gross Domestic Product. Compared to Canada as a whole, P.E.I.'s service sector is more important in terms of its share of total economic output. Our Gross Domestic Product per capita is only 52% of the Canadian average, and government spending (on goods & services including transfers, subsidies and capital assets) represents 87% of the Gross Domestic Product.

In terms of investment, our overall capital investment per capita in 1980 was about 61% of the Canadian average. Investment per capita in manufacturing on P.E.I. was 8% of the Canadian average; investment per capita

in Finance, Insurance, Real Estate and Commercial Services sectors was about 30% of the Canadian average; investment in institutions (schools, hospitals) and government buildings was well in excess of the Canadian average at 246% and 122% respectively. Government investment accounts for 1/3 of total investment on P.E.I. compared to 1/10 for remainder of Canada.

The population of P.E.I. is approximately 127,700 with a rural/urban distribution of 50/50 compared to a Canadian ratio of 25/75. We have a greater percentage of our population under 15 and over 65 than the Canadian average.

Our labour force stands at approximately 56,000, up 9,000 from 1976; our participation rate has increased between 1976 and 1984 from 56.3% to 60.2%. The distribution of males and females in the labour force stands at 32,000 males and 24,000 females.

Members of our labour force fall somewhat below the Canadian average in terms of the proportion possessing university degrees and Grade 9 - 13 certificates. Consequently, a higher percentage of our population has less than Grade 8, compared to the Canadian average. On the other hand, however, we have a higher than average proportion of residents holding trade certificates.

It is estimated that approximately 21,000 members of our 56,000 total labour force work in seasonal industries such as Agriculture, Fishing, Construction and Tourism. The length of time worked seasonally varies from 1-26 weeks. Our wage levels fall behind the Canadian average at approximately $350/week compared to $402/week for Canada. Our personal income per capita in 1982 was cited as $8,894 compared to a Canadian average of $12,839.

The foregoing facts illustrate that P.E.I. is basically a rural economy with Agriculture, Fishing and Tourism playing a much more important role in the Island economy than in the Canadian economy. Our reliance on these industries, which by their very nature are seasonal, results in very different employment patterns than in the rest of Canada. It should also be pointed out that other industries on P.E.I., such as manufacturing, processing and service industries, which to a large degree rely on the health of the primary sector are also subject to seasonal fluctuations. As autumn sets in on P.E.I., business slows down not only in agriculture, fishing and tourism but for those secondary industries as well. Not surprisingly, employment declines across the entire Island economy.

As mentioned earlier, approximately 21,000 Islanders work in seasonal industries. This figure represents roughly 35% of our total labour force. In 1984, income from unemployment insurance benefits accounted for an average of 8% of the total personal income of Islanders compared to 3% for the average Canadian. In 1984, Islanders received a total of $98,000,000 in benefits. The number of beneficiaries fluctuates from approximately 9,000 during the summer to over 16,000 in winter months.

As a government we are deeply concerned with the degree of seasonal fluctuation in our economy and the lack of year round employment opportunities. Our economic development strategies are concentrating on developing new opportunities for work, and as well we are pursuing ways to extend our seasonal industries beyond their present capacities.

II Unemployment Insurance and its Impact on P.E.I.

Because of the highly seasonal nature of our economy, P.E.I. residents rely heavily on the unemployment insurance program as a source of income

support for the off-season. Unemployment insurance works to the advantage of both employers and employees. Employers in seasonal industries contribute standard premiums to the program and utilize the skills of a stable work force even though they realize lay-offs are a normal pattern in their industry. Employees realize that a small number of weeks of work will still provide an income support mechanism to allow them to survive until their traditional work begins again. Without the cushion of a reasonable income support program, seasonal industries would have difficulty recruiting and maintaining a qualified labour force.

For those seasonal workers who experience lay-offs during the off-season, for those who work in cyclical industries, such as construction, and experience lay-offs between work contracts, and, for those workers who experience a loss of a permanent job, the income support provided by unemployment insurance is crucial to their ability to survive. From our point of view the Unemployment Insurance system must not be tampered with at this time, by introducing a number of piecemeal changes.

However, our government believes strongly that the unemployment insurance system as it is now, is far from perfect - far from being a fair and equitable system of income support. Possibly because of the multitude of changes which have been instituted in an adhoc fashion, the program is now overly complex and unwieldly. One of the most detrimental aspects that has evolved out of the unemployment insurance program has been the effect on the attitudes of workers and employers.

In many ways, access to unemployment insurance has developed a disincentive to work. Because individuals realize that they can qualify for unemployment insurance after working a minimum number of weeks, some individuals

will seek work only for the required number of weeks to qualify. While in many instances, individuals cannot legitimately find additional weeks of traditional work, the disturbing fact is that the income support provided by unemployment insurance does not provide any incentive to explore other options to engage in productive activity which would be outside normal work patterns. The present Unemployment Insurance system inhibits creativity, although this is not the fault of the individual beneficiary.

Unemployment insurance has in some cases, adversely affected the ability of employers to find workers, particularly if the workers can earn as much or more from unemployment insurance than the employer can offer in wages or, if the work is less than ideal in terms of physical or mental demands.

Another way in which unemployment insurance has affected attitudes is through the evolution of feelings within some small communities where a high proportion of community residents draw unemployment during the off-season. The view of those fortunate enough to have full-time employment towards some unemployment insurance recipients is unhealthy and a potentially destructive force within communities.

While it is easy to blame the unemployment insurance system specifically, at the same time we realize that unemployment itself is one of the most powerful destructive forces of our time. Although unemployment is normally considered to be primarily an economic problem, there is considerable evidence linking high levels of unemployment of the 1970's and 80's to dramatically increased social problems including stress-related illness, drug and alcohol abuse, marital breakdown and domestic violence. Any individual community which is experiencing unemployment and its subsequent unfortunate effects on individuals and their families, and is also experiencing a build up

of hostility between those unemployed and drawing unemployment insurance and those working productively, is in serious trouble. Communities such as this exist on P.E.I.

We are seriously concerned about the attitudes that flow from either real or perceived situations such as we have just mentioned - yet we feel strongly that Island residents who receive unemployment insurance are not to blame. Governments are to blame for creating a system which permits real or perceived abuses to take place. Governments have created a cycle of dependency which, if changed rapidly and dramatically, would turn Island workers into victims of the system. The belief that cutting back on benefits, or making U.I. harder to get, will reduce unemployment and improve the labour market conditions, is a myth.

Until governments work out a more equitable and creative system of income support, we do not want to see any changes made to the Unemployment Insurance program which would impact unfairly on Islanders. Specifically we could not tolerate:

- any increase in the number of weeks required to qualify for unemployment insurance benefits;
- any decrease in the number of weeks beneficiaries are allowed to draw;
- any change which would tie unemployment insurance premiums to the degree of risk for unemployment in a particular industry.

Let us repeat again - we recognize problems within the system, but let us not punish the recipients of unemployment insurance. They are not to blame.

III LOOKING TO THE FUTURE

Any major review of Canada's Unemployment Insurance program must be considered in light of other social policies and programs, including employment creation policies and programs, and, in view of proposals articulated in the MacDonald Commission report - particularly those relating to the implementation of a form of Guaranteed Annual Income.

A review of a program which has such a wide reaching effect on the working lives and incomes of Canadians must also begin with a clear understanding of the basic principles and assumptions about work and income security which have evolved in our society. For it is against these basic principles that Government policy relating to work and income security must ultimately be measured.

The perspective of the Government of P.E.I. on the current Inquiry on Unemployment Insurance and this submission to the Commission has been developed in accordance with the following basic principles:

- All people are entitled to a standard of living which at minimum provides for their basic needs and maintains their dignity and well-being.
- All people are entitled to the opportunity to work. Individuals have the responsibility to find or create their own work, or to undertake learning, while society's responsibility is to provide work opportunities and learning resources.
- Work, like health care or education, is a social as well as an economic good. Therefore, work opportunities, like other social goods, should be made equally available to all people in Canada insofar as possible and notwithstanding place of residence. Government should make every effort to move work to people.

- Work is a measure of identity, dignity and worth. Consequently, people, given a choice between self-sufficiency through productive work or dependency on income support, would elect to work.

New Approaches - Fresh Thinking

While we do not pretend to have concrete answers to the multitude of questions posed by your Commission, we do have four recommendations which flow from the principles we have just outlined. These are recommendations which relate to a basic issue which must be addressed if the current concerns surrounding unemployment insurance are to be resolved.

We propose that beliefs and values about work must be changed. The following recommendations outline a possible approach to achieving change:

A. A thorough re-examination and redefinition of work must be a first step.

B. Government, as a second step, must create a climate which will help society and individuals accept a broader definition of work.

C. Individuals must be helped to learn how they can maximize their full capabilities to the benefit of society, and themselves, through new types of work.

D. Community leaders must be encouraged to become more involved in helping other members of their community overcome and address problems relating to productive work.

A. Re-examining & redefining work

Most people today relate "work" to a "job", "employment" to a job with an "employer" and "unemployment" to "being out of a job". This narrow understanding of the world of work, creates a job dependency syndrome which inhibits individuals from utilizing their talents to engage in productive

activities which constitute "work", but do not necessarily constitute a "job". Unemployment insurance negatively reinforces the job dependency mode of thinking by paying people when they are "out of a job".

Job dependency is one of the major reasons for the high level of unemployment and the level of reliance on unemployment insurance today. Government and individuals believe that to be useful a person must have a "job". As there are not enough jobs to go around, when people do not have a job they are considered "unemployed". The irony is that while there may be a current lack of "traditional jobs" (and in all probability the future, through technological advances, will continue to see a diminishing of traditional jobs) there is no lack of productive work to be done! Even more ironic, is that many of the so-called "unemployed" do engage in productive work while "unemployed", but society does not accept it as such because the work doesn't constitute a "job". In fact, if the individual is also drawing U.I., he is severely criticized. Others may not explore other types of work while drawing unemployment insurance, because there is no incentive to look outside the traditional confines of a "job". If we are to help people break away from the job dependency - unemployment insurance way of thinking, we must develop a system which encourages people to perceive work in the broad sense of the word. We must encourage our society to recognize that work can cover a wide array of productive activities other than those associated with a specific job. Work carried out by an individual, whether in support of the family, (such as housework, growing and preserving food, repairing family buildings, harvesting fuel) or in support of the community (such as organizing community activities, or developing ways to solve community problems), must

all be considered and recognized within the understanding of productive work. People doing other types of work must be seen as productive even if they do not have a traditional "job" in the workforce.

B. Government must create a climate which will help society and individuals accept a broader definition of work

One of the major problems surrounding unemployment insurance relates, as mentioned earlier, to the attitudes of seasonal workers, employers and year round workers, toward work, unemployment and unemployment insurance. If we are to break away from thinking of work only as a job, of the unemployment insurance system as a system to be dependent upon, we must create an entirely different climate.

It is possible that a type of guaranteed annual income or similar system could provide the type of climate needed to free individuals to take advantage, without penalty, of new and different types of "work" which at this point are not seen as valuable because they don't constitute a "job".

None of the foregoing is meant to imply that individuals should not consider a "job" as part of their normal life. The Government of Prince Edward Island believes strongly that jobs in the "traditional" sense are still very much an important aspect of work on P.E.I. We do believe, however, that individuals have a responsibility to themselves, to their families, to their communities and to their country, to make every effort to find or create work which results in a contribution to society. It is our hope that with a new recognition of work in its broadest sense, people will be motivated and curious enough to not only consider a "job", but also be productively active

when they don't have a job. This could be during seasonal lay-off, cyclical lay-off, permanent lay-off, or in the case of many young people, before they have found a first job.

C. Individuals must be helped to learn how to maximize their full-capabilities to the benefit of society, and themselves, through new types of work

If we are to help people change their attitudes toward work, and embrace the notion that useful, productive work can cover a wide variety of activities, we must help individuals learn how to use their latent potential. At present most people are job dependent. As such they are dependent upon other people to tell them what to do and how to do it.

From an early age, young Canadians are taught to think about work in terms of a job or career. Little encouragement is given to young people to fully explore their capacities and talents and think about how they could apply them in productive ways outside a traditional job. Learning is commonly thought to take place only in classrooms or in specific training stations within a business, and only to be of value, if related to a "useful" vocation.

We must examine ways to give individuals the opportunity to explore their potential outside a job dependency mode. We must move toward a system which encourages individuals to be more self-directed in using their talents and finding "work". The growing interest in encouraging young people toward entrepreneurship at a high school level is but one small example of a move in the right direction.

D. Community leaders must be encouraged to become more involved in helping members of their communities overcome and address problems relating to productive work

Societal problems such as unemployment are addressed primarily by governments. Hundreds of thousands of dollars are spent each year by civil servants developing new ways to solve unemployment, create jobs and re-train workers. Seldom, if ever, does government challenge individual communities, to share the responsibility for their social concerns. Communities currently handle charitable concerns, recreational activities, industrial development initiatives, and various municipal and religious leadership roles very well; what would prevent them from participating in the development of constructive alternatives for the unemployed members of their community?

CONCLUSION:

We have acknowledged that we do not have concrete solutions to the questions you have posed. We have also emphatically stated that we cannot support piecemeal changes to the U.I. program in the short term. We do believe, however, that with a good deal of fresh thinking, new alternatives to the present system can be brought about. Canada needs an income protection system that is as much a motivator for people to engage in productive work as it is a safety net for those who cannot generate an adequate level of income.

We believe that any altered or new system should:

- provide incentives for individuals to engage in a wider variety of creative productive work, outside the narrow definition of a "job", whether it be on a full year basis or on a "between" job basis;

- provide a safety net to ensure all Canadians have access to a basic standard of living while engaged in one form or another of work;
- provide a humane and responsive program delivery; and
- provide an equitable and simple administrative process.

SUMMARY

Prince Edward Island is characterized by a rural economy, based on the strength of its agriculture, fishing, and tourism industries. Overall capital investment is low compared to the Canadian average, with a high level of investment coming from government. P.E.I.'s population is evenly split between rural and urban communities, and approximately 35% of its labour force is employed in seasonal industries. Together these factors create a substantial reliance on unemployment insurance as an income-averaging support system.

We do not welcome this dependency on unemployment insurance, and believe alternatives to the overall system should be explored, particularly to overcome those attitudes which on the one hand breed not only acceptance of Unemployment Insurance as a way of life and on the other, resentment toward Unemployment Insurance beneficiaries.

We believe that serious consideration should be given to revamping the unemployment support system in a manner that takes into account some basic principles about work and income security. We believe that serious consideration must be given to redefining the nature of work, to encouraging an environment which would motivate individuals to explore alternative productive activities, and to utilize new ways of learning. We also encourage the involvement of community leaders to make this new outlook on work become a reality.

Until constructive changes can be developed, however, we would not support any piecemeal tampering with the system. Our major reason is that those who draw U.I. on P.E.I. are not to blame for the problems -- they are the ones caught by a system which governments have created, and they are the ones who would suffer if the current system were modified at this time.

We thank you for the opportunity to address your Commission today and we look forward to participating with the Federal Government in building a new and equitable income protection system in the future.